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# **THE CITY OF TECUMSEH**

**(Including the Tecumseh Utility Authority and the Tecumseh Growth and Development Authority)**

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## **FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

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### **INDEPENDENT AUDITOR'S REPORT**

To the City Council  
City of Tecumseh, Oklahoma

#### **Opinions**

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the City of Tecumseh, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Tecumseh, Oklahoma's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Tecumseh, Oklahoma, as of December 31, 2022, and the respective changes in modified cash basis financial position, and where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note B.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Tecumseh, Oklahoma and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter—Basis of Accounting**

We draw attention to Note 1C2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note B, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Tecumseh, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Tecumseh, Oklahoma's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Tecumseh, Oklahoma's basic financial statements. The budgetary comparison schedule, schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 27, 2023, on our consideration of the City of Tecumseh Oklahoma's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Tecumseh, Oklahoma's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Tecumseh, Oklahoma's internal control over financial reporting and compliance.



Oklahoma City, Oklahoma  
April 27, 2023

**THE CITY OF TECUMSEH**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**DECEMBER 31, 2022**

	Governmental Activities	Business-type Activities	Total 2022
<b>ASSETS</b>			
Current assets:			
Cash and demand deposits	1,250,893	1,871,512	3,122,405
Certificates of deposit	291,699	3,372,295	3,663,994
Restricted cash and investments	272,801	2,728,407	3,001,208
Internal balances	(61,794)	61,794	0
Total current assets	1,753,599	8,034,008	9,787,607
Noncurrent assets:			
Capital assets:			
Depreciable capital assets	15,345,288	20,230,932	35,576,220
Accumulated depreciation	(7,630,008)	(10,534,591)	(18,164,599)
Land	242,610	243,441	486,051
Water rights	0	2,624,609	2,624,609
Construction in progress	274,729	329,781	604,510
Net capital assets	8,232,619	12,894,172	21,126,791
Total assets	9,986,218	20,928,180	30,914,398
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	13,405	8,525	21,930
Current portion of notes payable	0	775,981	775,981
Accrued interest payable	0	33,115	33,115
Total current liabilities	13,405	817,621	831,026
Noncurrent liabilities:			
Refundable deposits	0	589,180	589,180
Notes payable, less current portion	0	4,644,895	4,644,895
Bond discount	0	(13,883)	(13,883)
Total noncurrent liabilities	0	5,220,192	5,220,192
Total liabilities	13,405	6,037,813	6,051,218
<b>NET POSITION</b>			
Net investment in capital assets	8,232,619	7,473,296	15,705,915
Restricted for:			
Fire department	193,740	0	193,740
Retirement plan	3,119	0	3,119
Insurance	75,942	0	75,942
Streets	857,383	0	857,383
Cemetery	454,746	0	454,746
Debt	0	2,139,227	2,139,227
Unrestricted	155,264	5,277,844	5,433,108
<b>TOTAL NET POSITION</b>	<b>\$9,972,813</b>	<b>\$14,890,367</b>	<b>\$24,863,180</b>

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2022
<b>Governmental activities:</b>							
General government	(604,429)	21,428	19,563	585,000	21,562	0	21,562
Court	(110,714)	175,598	0	0	64,884	0	64,884
Police	(1,053,676)	39,319	84,997	0	(929,360)	0	(929,360)
Fire	(535,192)	3,582	147,371	0	(384,239)	0	(384,239)
Code enforcement	(232,655)	79,597	0	0	(153,058)	0	(153,058)
Emergency management	(8,553)	0	0	0	(8,553)	0	(8,553)
Streets	(729,749)	0	64,101	53,190	(612,458)	0	(612,458)
Cemetery	(163,360)	75,707	0	0	(87,653)	0	(87,653)
Park	(266,047)	0	0	0	(266,047)	0	(266,047)
Total governmental activities	(3,704,375)	395,231	316,032	638,190	(2,354,922)	0	(2,354,922)
<b>Business-type activities:</b>							
Sewer *	(966,855)	621,253	0	0	0	(345,602)	(345,602)
Electric **	(3,656,813)	4,372,185	20,000	0	0	735,372	735,372
Water ***	(1,022,934)	1,174,810	0	0	0	151,876	151,876
Trash	(484,333)	682,883	0	0	0	198,550	198,550
Economic development	(23,066)	0	0	0	0	(23,066)	(23,066)
Total business-type activities	(6,154,001)	6,851,131	20,000	0	0	717,130	717,130
Total all activities	(9,858,376)	7,246,362	336,032	638,190	(2,354,922)	717,130	(1,637,792)
<b>General revenues:</b>							
Taxes:							
Sales taxes levied for general purposes					1,022,120	0	1,022,120
Sales taxes levied for capital improvements					505,723	0	505,723
Use taxes restricted for streets					320,985	0	320,985
Franchise and public service taxes					84,962	0	84,962
Tax incremental financing					134,271	0	134,271
Payments in lieu of taxes for general purposes					117,701	0	117,701
Shared taxes for general purposes					43,566	0	43,566
Fees and miscellaneous					64,958	402,180	467,138
Investment income					12,198	53,697	65,895
Transfers					(213,777)	213,777	0
Total general revenues and transfers					2,092,707	669,654	2,762,361
Change in net position					(262,215)	1,386,784	1,124,569
Beginning net position					10,235,028	13,444,540	23,679,568
Prior period adjustments					0	59,043	59,043
Ending net position					\$9,972,813	\$14,890,367	\$24,863,180

\* Includes \$85,862 interest  
 \*\* Includes \$728 interest  
 \*\*\* Includes \$76,287 interest

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH**  
**BALANCE SHEET - MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2022**

	General Fund	Other Funds	Total 2022
<b>ASSETS</b>			
Cash and demand deposits	235,153	1,015,740	1,250,893
Certificates of deposit	0	291,699	291,699
Restricted cash and investments	272,801	0	272,801
Due from other funds	0	4,690	4,690
<b>Total assets</b>	<b>507,954</b>	<b>1,312,129</b>	<b>1,820,083</b>
<b>LIABILITIES</b>			
Accounts payable	13,405	0	13,405
Due to other funds	66,484	0	66,484
<b>Total liabilities</b>	<b>79,889</b>	<b>0</b>	<b>79,889</b>
<b>FUND BALANCE</b>			
Restricted for:			
Fire department	193,740	0	193,740
Retirement plan	3,119	0	3,119
Insurance	75,942		75,942
Streets	0	857,383	857,383
Cemetery	0	454,746	454,746
Unrestricted			
Unassigned	155,264	0	155,264
<b>Total fund balance</b>	<b>428,065</b>	<b>1,312,129</b>	<b>1,740,194</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$507,954</b>	<b>\$1,312,129</b>	<b>\$1,820,083</b>
<b>Reconciliation of general fund balance to net position of governmental activities:</b>			
Fund balance	428,065	1,312,129	1,740,194
Capital assets	15,862,627	0	15,862,627
Accumulated depreciation	(7,630,008)	0	(7,630,008)
<b>Net position</b>	<b>\$8,660,684</b>	<b>\$1,312,129</b>	<b>\$9,972,813</b>

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General Fund	Other Funds	Total 2022
<b>REVENUES</b>			
Taxes	1,241,353	320,985	1,562,338
Restricted taxes	505,723	0	505,723
Payments in lieu of taxes	117,701	0	117,701
Intergovernmental	98,475	56,253	154,728
Grants	673,212	0	673,212
Fines and fees	175,598	0	175,598
Licenses and permits	58,110	0	58,110
Rents and royalties	21,428	0	21,428
Cemetery fees	56,855	18,852	75,707
Interest	4,243	7,955	12,198
Other revenues	299,194	0	299,194
<b>TOTAL REVENUES</b>	<b>3,251,892</b>	<b>404,045</b>	<b>3,655,937</b>
<b>EXPENDITURES</b>			
General government	534,046	0	534,046
Court	110,714	0	110,714
Police	1,001,681	0	1,001,681
Fire	451,588	0	451,588
Code enforcement	229,011	0	229,011
Emergency management	8,553	0	8,553
Streets	308,295	0	308,295
Cemetery	159,110	381	159,491
Park	190,151	0	190,151
Capital outlay	676,517	0	676,517
<b>TOTAL EXPENDITURES</b>	<b>3,669,666</b>	<b>381</b>	<b>3,670,047</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(417,774)</b>	<b>403,664</b>	<b>(14,110)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Interfund transfers	111,223	(325,000)	(213,777)
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>111,223</b>	<b>(325,000)</b>	<b>(213,777)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(306,551)</b>	<b>78,664</b>	<b>(227,887)</b>
<b>BEGINNING FUND BALANCE</b>	<b>734,616</b>	<b>1,233,465</b>	<b>1,968,081</b>
<b>ENDING FUND BALANCE</b>	<b>\$428,065</b>	<b>\$1,312,129</b>	<b>\$1,740,194</b>
Reconciliation of the change in the general fund balance to the change in net position of governmental activities:			
Net change in fund balances - total governmental funds	(306,551)	78,664	(227,887)
Capital asset purchases capitalized	676,517	0	676,517
Depreciation expense	(710,845)	0	(710,845)
Change in net position of governmental activities	<u>(\$340,879)</u>	<u>\$78,664</u>	<u>(\$262,215)</u>

The accompanying notes are an integral part of these financial statements



**THE CITY OF TECUMSEH**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2022**

	Tecumseh Utility Authority	Tecumseh Growth & Development Authority	Total 2022
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	884,316	987,196	1,871,512
Certificates of deposits	3,264,254	108,041	3,372,295
Restricted cash and investments	2,728,407	0	2,728,407
Total current assets	6,934,347	1,099,661	8,034,008
Noncurrent assets:			
Capital assets:			
Depreciable property and equipment	20,230,932	0	20,230,932
Accumulated depreciation	(10,534,591)	0	(10,534,591)
Land	151,339	92,102	243,441
Water rights	2,624,609	0	2,624,609
Construction in progress	329,781	0	329,781
Net capital assets	12,802,070	92,102	12,894,172
Total assets	19,736,417	1,191,763	20,928,180
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	8,525	0	8,525
Current portion of debt	775,981	0	775,981
Accrued interest payable	33,115	0	33,115
Total current liabilities	817,621	0	817,621
Noncurrent liabilities:			
Refundable deposits	589,180	0	589,180
Debt, less current portion	4,644,895	0	4,644,895
Bond discount	(13,883)	0	(13,883)
Total noncurrent liabilities	5,220,192	0	5,220,192
Total liabilities	6,037,813	0	6,037,813
<b>NET POSITION</b>			
Net investment in capital assets	7,381,194	92,102	7,473,296
Restricted for:			
Debt service	2,139,227	0	2,139,227
Unrestricted	4,178,183	1,099,661	5,277,844
Total net position	\$13,698,604	\$1,191,763	\$14,890,367

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Tecumseh Utility Authority	Tecumseh Growth & Development Authority	Total 2022
<b>OPERATING REVENUES</b>			
Electric	4,372,185	0	4,372,185
Sewer	621,253	0	621,253
Trash	682,883	0	682,883
Water	1,174,810	0	1,174,810
Connection fees	32,489	0	32,489
Late payment fees	119,397	0	119,397
Operating grants	20,000	0	20,000
Other income	250,292	0	250,292
Total operating revenues	7,273,309	0	7,273,309
<b>OPERATING EXPENSES</b>			
Administration	582,248	3,920	586,168
Sewer treatment plant	469,499	0	469,499
Sewer & water lines	524,863	0	524,863
Electric	3,510,523	0	3,510,523
Water treatment plant	538,153	0	538,153
Trash	338,771	0	338,771
Economic development	0	19,146	19,146
Total operating expenses	5,964,057	23,066	5,987,123
<b>OPERATING INCOME (LOSS)</b>	1,309,252	(23,066)	1,286,186
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	52,346	1,351	53,697
Interest expense	(162,876)	0	(162,876)
Trustee fees	(4,000)	0	(4,000)
Total non-operating revenues (expenses)	(114,530)	1,351	(113,179)
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	1,194,722	(21,715)	1,173,007
Interfund transfers	79,506	134,271	213,777
<b>CHANGE IN NET POSITION</b>	1,274,228	112,556	1,386,784
<b>BEGINNING NET POSITION</b>	12,365,333	1,079,207	13,444,540
Prior period adjustments	59,043	0	59,043
<b>ENDING NET POSITION</b>	<u>\$13,698,604</u>	<u>\$1,191,763</u>	<u>\$14,890,367</u>

The accompanying notes are an integral part of these financial statements

**THE CITY OF TECUMSEH**  
**STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2022**

	Tecumseh Utility Authority	Tecumseh Growth & Development Authority	Total 2022
Cash flows from operations:			
Cash received from:			
Customers	7,209,187	0	7,209,187
Other operating receipts	64,122	0	64,122
Cash payments for:			
Goods and services	(4,350,664)	(23,066)	(4,373,730)
Employees	(1,051,068)	0	(1,051,068)
Net cash provided from operations	1,871,577	(23,066)	1,848,511
Cash flows from capital financing activities:			
Capital expenditures	(401,044)	0	(401,044)
Net transfers to restricted accounts	(755,655)	0	(755,655)
Net cash from capital financing activities	(1,156,699)	0	(1,156,699)
Cash flows from non-capital financing activities:			
Interfund transfers	79,506	129,847	209,353
Net cash from non-capital financing activities	79,506	129,847	209,353
Cash flows from investing activities:			
Purchase certificates of deposit	(3,250,000)	0	(3,250,000)
Interest income	25,211	1,347	26,558
Net cash provided from investing activities	(3,224,789)	1,347	(3,223,442)
Net increase (decrease) in cash	(2,430,405)	108,128	(2,322,277)
Beginning cash	3,314,721	879,068	4,193,789
Ending cash	\$884,316	\$987,196	\$1,871,512
Reconciliation of income from operations to net cash from operations:			
Operating income (loss)	1,309,252	(23,066)	1,286,186
Adjustments to income from operations:			
Depreciation and amortization	618,641	0	618,641
Change in assets and liabilities:			
(Increase) decrease in interfund receivables	(57,370)	0	(57,370)
Increase (decrease) in payables	1,054	0	1,054
Net cash provided by operations	\$1,871,577	(\$23,066)	\$1,848,511
<b>** Activity in debt service accounts:</b>	<b>Total</b>		
Beginning cash and investments	2,314,981		
From operating accounts	755,655		
Principal payments	(777,256)		
Interest payments	(163,034)		
Bank fees	(4,000)		
Investment income	12,881		
Ending cash and investments	<u>\$2,139,227</u>		

**\*\* Activity in debt service accounts is presented as supplemental information.**

The accompanying notes are an integral part of these financial statements

**City of Tecumseh**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2022**

**1. Summary of Significant Accounting Policies**

**1A. Introduction**

The City of Tecumseh, Oklahoma, is a Home Rule City under Article 18, Section 3a of the Oklahoma constitution with its charter being approved April 10, 1969. The City operates under a council-manager form of government and provides the following services directly or through its component units: police, fire, streets, general administration, electric, sewer, trash, water, and economic development.

The City's financial statements are prepared using the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles (GAAP) in the United States of America. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP in substance but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting. Generally, that means that only items arising from cash transactions are recorded. Accounts receivable and accounts payable, for instance, are not recorded.

**1B. Financial Reporting Entity**

In evaluating how to define the City for financial purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB-61. The basic, but not the only, criteria for including a potential component unit within the reporting entity are the governing body's ability to exercise oversight control. The most significant manifestation of this ability is financial interdependency. Other considerations include, but are not limited to, selection of the governing authority, designation of management, the ability to significantly influence operations, and accountability for financial matters.

**1B1. Blended Component Units**

The Tecumseh Utility Authority (TUA) was established June 4<sup>th</sup>, 1959, to provide utility services to the citizens of the City. TUA is a legally separate entity established pursuant to the provisions of Title 60, Oklahoma Statutes 1971, section 176 to 180.3 of the Oklahoma Trust Act. The council members of the City are the trustees of the TUA, and the City is the beneficiary of the TUA. For financial reporting purposes, the TUA is reported as if it were part of the City's operations. The TUA does not present separate financial statements.

The Tecumseh Growth and Development Authority (TGDA) was established May 6, 1974, to develop and encourage industry in the City of Tecumseh. TGDA is a legally separate entity established pursuant to the provisions of Title 60, Oklahoma Statutes 1971, section 176 to 180.3 of the Oklahoma Trust Act. The trustees are appointed by the city council, with the mayor always

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being one trustee. The City is the beneficiary of the TGDA. For financial reporting purposes, the TGDA is reported as if it were part of the City's operations. The TGDA does not present separate financial statements.

**1B2. Related Organization**

The Tecumseh Housing Authority (THA) is excluded from the reporting entity because the City's accountability does not extend beyond appointing the board of trustees. The THA administers federal and/or other funding for improvements in housing conditions in the City. The THA issues separate financial reports, copies of which may be obtained from the THA.

**1C. Basis of Presentation**

**1C1. Fund Accounting**

The City uses fund accounting to maintain its financial records. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures/expenses. The City's funds are organized into two categories: governmental and proprietary. Within these categories, funds are further defined as major or non-major. The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories as defined by GASB 34. The City has five governmental funds and two business-type funds.

**1C2. Basis of Accounting and Measurement Focus**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Measurement focus is a term used to describe which transactions are recorded.

**1C2a. Modified Cash Basis of Accounting**

The modified cash basis of accounting is a comprehensive basis of accounting other than GAAP and is a modification of the pure cash basis of accounting. Professional standards define the cash basis of accounting as *a basis of accounting an entity uses to record cash receipts and disbursements, and modifications of the cash basis having substantial support (for example, recording depreciation on fixed assets.)* Although the modified cash basis of accounting is not separately defined by professional standards, the modifications to the cash basis have evolved over time through common practice, and generally result when cash receipts or disbursements provide a benefit or obligation covering multiple reporting periods, and the reporting of the cash transaction would be more meaningful to financial statement users if spread over those multiple periods.

For modifications to be considered to have substantial support, they should:

1. be made as a result of cash receipts or disbursements;

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2. have substantial support in GAAP or other accounting literature; and
3. be logical.

**1C3. Government-wide Financial Statements**

The government-wide financial statements are highly aggregated financial statements that present financial information for all assets, deferred outflows, liabilities, deferred inflows, and net assets using the economic resources measurement focus within the limitations of the modified cash basis of accounting. This means that revenues are recorded when received and expenses, with the exception of capitalizing and depreciating capital assets, are recorded when paid. The government-wide financial statements required are the statement of net assets and the statement of activities. These financial statements are designed to help users assess the finances of a government in its entirety, including the year's operating results; determine whether the government's overall financial position improved or deteriorated; and evaluate whether the government's current-year revenues were sufficient to pay for current year services. They are also designed to help users assess the cost of providing services to its citizenry; determine how the government finances its programs; understand the extent to which the government has invested in capital assets; and make better comparisons between governments.

**1C4. Governmental Fund Financial Statements**

The governmental fund financial statements focus primarily on the sources, uses, and balances of current financial resources. They are presented using the current financial resources measurement focus and the modified cash basis of accounting. Revenues are recognized when they are received, and expenditures are recorded when paid. The financial statements required for governmental funds are the balance sheet and the statement of revenues, expenditures, and changes in fund balance. The governmental fund balance sheet does not present capital assets or long-term liabilities. Instead, the statement of revenues, expenditures and changes in fund balance reports the financial resource inflows and outflows arising from the disposition and acquisition of capital assets, the issuance and repayment of long-term debt, and maturation of non-debt long-term liabilities. Capital assets and long-term liabilities associated with and generally arising from activities reported in governmental funds are reported only in the government-wide financial statements.

**1C5. Proprietary Fund Financial Statements**

The proprietary funds utilize an economic resources measurement focus within the limitations of the modified cash basis of accounting, the objectives of which involves the determination of operating income, changes in net position, net position, and cash flows. The accounting principles applicable are those similar to businesses in the private sector. The City maintains two proprietary funds, which are enterprise funds. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

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**1D. Cash and Cash Equivalents**

The City has defined cash and cash equivalents to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1E. Investments**

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

**1F. Interfund Activity**

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**1G. Capital Assets**

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on these assets is provided on the straight-line basis over the following estimated useful lives:

Land improvements	5 years
Buildings and equipment	25 to 40 years
Vehicles and equipment	5 to 15 years
Infrastructure	40 years

**1H. Equity Classifications**

In the government-wide statements, equity is classified as net position and reported in three components as follows:

1. Net investment in capital assets – Capital assets, net of accumulated depreciation, are reduced by the outstanding balances of any debt attributable to their acquisition, construction, or improvement.

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2. Restricted – Net assets that have had constraints placed upon them either by external sources such as creditors, grantors, contributors, or laws or regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted – All other net assets that do not meet the definition of the previous two classifications.

In the fund financial statements, governmental fund equity is classified as fund balance and reported as needed in five components as follows:

1. Nonspendable – amounts not in a spendable form, or legally or contractually required to be maintained intact.
2. Restricted – constraints placed on fund balance are externally imposed by creditors, grantors, or other governments; or are imposed by law through constitutional provisions or enabling legislation.
3. Committed – amounts that can only be used for specific purposes as a result of constraints imposed by formal action of the individual government's highest level of decision-making authority.
4. Assigned – constraints placed on fund balance are imposed by the government's intent that it be used for specific purposes but are neither restricted nor committed. An individual government must define and disclose how it expresses its intent for purposes of making assignments. For the Town, this intent is expressed by the use of purchase orders encumbering amounts for assigned purposes as approved by the board of trustees.
5. Unassigned – remaining fund balance in excess of all other classifications.

## **11. Revenues and Expenditures**

Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are non-operating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as non-operating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses, and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.



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**1J. Use of Restricted Resources**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as needed. When both assigned and unassigned resources are available for use, it is the government's policy to use assigned resources first, and then unassigned resources as needed.

**2. Deposits and Investments**

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school district direct debt.

**Custodial Credit Risk**

Exposure to custodial credit risk related to deposits exists when the City holds deposits that are uninsured and uncollateralized; collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name; or collateralized without a written or approved collateral agreement. At year end, the City had deposits of \$7,040,570 that were collateralized with securities held by the pledging financial institution, or its trust department, but not in the City's name, in accordance with the City's policy for excess deposits. The City had deposits of \$839,1001 that were not insured or collateralized but were trust accounts invested in treasury deposits that met the requirements of legal collateral.

**3. Restricted Cash and Investments**

The TUA 2012 bond indenture requires the TUA to maintain a principal fund, an interest fund, and a sinking fund reserve for debt service at a trustee bank. Balances in these accounts at December 31 were \$102,473, \$19,236, and \$664,627 respectively, for a total of \$786,336. These investments consist of short-term treasury funds and are not insured or collateralized but are invested in the same types of securities that would be used for collateral.

The 2008-meter project lease-purchase equipment surcharge of \$6 per meter per month is deposited into a revenue fund account from which the lease payments are drafted. At year end the balance of that account was \$1,290,067.

Reserves for payment of the Oklahoma Water Resources Board loan are deposited in a debt service account which is drafted semi-annually for the principal and interest payments. The balance on December 31 is \$62,824.

Meter deposits of \$589,180 are secured by deposits of the same amount.

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**4. Restricted Sales Taxes**

A 1% sales tax amended by the city in 1993 is restricted "to make capital improvements to the water, sanitary sewer and electric systems and streets, public safety, parks and recreation properties of the City of Tecumseh, Oklahoma, and to pay the principal or the interest on indebtedness incurred for said purposes on behalf of said city". It is currently pledged to the 2012 bonds.

**5. County Fire Department Sales Tax Funds**

County sales taxes restricted for the city's fire department are reported in the city's financial statements for accountability and control purposes. The county spends the funds for city operations at the city's request and title for all equipment purchased with these funds resides with the city. Balances reflected in the financial statements are cash - \$193,740; intergovernmental revenues - \$54,909; and expenditures: \$33,897.

**6. Risk Management**

The City is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City manages this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. For the year just ended, claims of \$60,273 were made for a stolen trailer, damaged police cars, and building and equipment damages at the sewer treatment plant.

**7. Capital Assets**

Depreciation for the year just ended was as follows:

<b>Governmental Activities</b>		<b>Business-type Activities</b>	
General government	70,383	Administration	14,014
Court department	0	Sewer treatment plant	112,690
Police department	51,996	Sewer & water lines	230,818
Fire department	83,604	Electric department	150,084
Code enforcement	3,645	Water treatment plant	111,035
Emergency management	0	Economic development	0
Street department	421,453		<u>618,641</u>
Cemetery department	3,869		
Park department	75,896		
	<u>710,845</u>		

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Capital asset activity for the year just ended is summarized as follows:

	Beginning Balance	Additions	Disposals	Ending Balance	Beginning Depreciation	Additions	Disposals	Ending Depreciation	Book Value
<b>Governmental Activities</b>									
Non-depreciable									
Construction in progress	520	274,209	0	274,729	0	0	0	0	274,729
Land	242,610	0	0	242,610	0	0	0	0	242,610
Total non-depreciable	243,130	274,209	0	517,339	0	0	0	0	517,339
Depreciable									
Land improvements	106,030	0	0	106,030	68,021	1,170	0	69,191	36,839
Buildings & bldg equipment	2,864,799	14,631	0	2,879,431	1,730,172	85,158	0	1,815,330	1,064,101
Equipment	3,569,122	108,960	(100,940)	3,577,141	2,448,292	183,645	(100,940)	2,530,997	1,046,144
Roads, bridges, sidewalks	8,503,969	278,717	0	8,782,686	2,773,618	440,872	0	3,214,490	5,568,196
Total depreciable	15,043,920	402,308	(100,940)	15,345,288	7,020,103	710,845	(100,940)	7,630,008	7,715,280
<b>Total governmental</b>	<b>15,287,050</b>	<b>676,517</b>	<b>(100,940)</b>	<b>15,862,627</b>	<b>7,020,103</b>	<b>710,845</b>	<b>(100,940)</b>	<b>7,630,008</b>	<b>8,232,619</b>
<b>Business-type Activities</b>									
Non-depreciable									
Construction in progress	59,043	270,737	0	329,781	0	0	0	0	329,781
Water rights	2,624,609	0	0	2,624,609	0	0	0	0	2,624,609
Land	243,442	0	0	243,442	0	0	0	0	243,442
Total non-depreciable	2,927,094	270,737	0	3,197,831	0	0	0	0	3,197,831
Depreciable									
Buildings & bldg equipment	227,522	0	0	227,522	116,658	8,807	0	125,465	102,057
Equipment	1,235,066	69,566	0	1,304,632	972,962	64,661	0	1,037,624	267,009
Equipment - capital lease	1,125,265	0	0	1,125,265	937,721	75,018	0	1,012,738	112,526
Utility systems	17,512,772	60,741	0	17,573,513	7,888,608	470,156	0	8,358,764	9,214,749
Total depreciable	20,100,625	130,306	0	20,230,932	9,915,950	618,641	0	10,534,591	9,696,341
<b>Total business-type</b>	<b>23,027,719</b>	<b>401,044</b>	<b>0</b>	<b>23,428,763</b>	<b>9,915,950</b>	<b>618,641</b>	<b>0</b>	<b>10,534,591</b>	<b>12,894,172</b>

## 8. Long-term Debt

		Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
<b>Business-type Activities:</b>						
Revenue Bonds	Sewer system	1.75 - 2.35%	11/1/26	8,141,408	3,105,000	utility revenues - 1cent sales tax
Direct Borrowing	Water system	3.14%	3/15/34	3,604,457	2,298,323	utility revenues - 1cent sales tax
Direct Borrowing	Water/Electric	3.95%	6/1/23	1,138,661	17,553	utility fee

Long-term debt activity for the year ended December 31, 2022, was as follows:

<b>Business-type activities:</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
<b>Revenue bonds:</b>					
Sewer system revenue bonds	3,685,000	0	(580,000)	3,105,000	590,000
<b>Direct borrowings:</b>					
OWRB water system note	2,461,515	0	(163,192)	2,298,323	168,428
Meter project note payable	51,617	0	(34,064)	17,553	17,553
Total direct borrowings	2,513,132	0	(197,256)	2,315,876	185,981
Total long-term debt	\$6,198,132	\$0	(\$777,256)	\$5,420,876	\$775,981

June 30, 2008, the TUA entered into a lease purchase agreement for a new metering system for its electrical and water utility systems. The lease is for a maximum of \$1.2 million, with \$800,000

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due over 10 years and \$400,000 due over 15 years. The lease carries an annual interest rate of 3.95% with a .05% administration fee. A monthly fee of \$6 per meter was established to retire the debt. Such fees are transferred to a debt service fund monthly and must be sufficient to maintain 120% of the annual lease payments. For the year just ended, the TUA did meet these requirements.

December 18, 2012, the TUA issued \$8,190,000 in revenue bonds with variable interest rates from 1.75% to 2.35% and maturing November 1, 2026. The bonds were issued with a discount of \$48,592 which is being amortized over the life of the bonds beginning in 2013. Proceeds from the bonds were used to refund \$8,160,000 of bonds issued in 2004 with interest rates of 3% to 4.75%, resulting in interest savings in excess of \$1,000,000. The TUA is required to maintain sufficient utility rates so that net revenues meet or exceed 1.25 times the maximum annual debt service of \$655,740, which is \$819,675. For the year just ended, the TUA did meet these requirements.

October 17, 2013, the TUA executed a \$4,000,000 note payable with the Oklahoma Water Resources Board for water system improvements. The note carries an annual interest rate of 2.64%, an annual administrative fee of 0.5%, and matures March 15, 2034.

Debt service requirements to maturity for all debt are as follows:

	<b>Business-type Activities</b>			
	<b>Bonds</b>		<b>Direct Borrowings</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2023	590,000	69,496	185,981	70,481
2024	605,000	55,919	173,644	65,010
2025	620,000	42,198	179,405	59,196
2026	1,290,000	25,263	185,162	53,386
2027	0	0	191,104	47,389
2028-2032	0	0	1,051,347	140,239
2033-2034	0	0	349,233	7,931
	<b>\$3,105,000</b>	<b>\$192,876</b>	<b>\$2,315,876</b>	<b>\$443,632</b>

## **9. Water Rights**

The Pottawatomie County Development Authority (PCDA), Shawnee Municipal Authority (SMA), and TUA, entered into an agreement dated July 1, 1990, for construction of a reservoir for flood prevention, municipal water supply, and water-based recreation. The PCDA holds title to the reservoir and the SMA operates the reservoir and public raw water supply system. The SMA owns 85% of the water rights and the TUA owns 15% of the water rights. The project was financed with a grant of approximately \$3,267,840 from the Soil Conservation Service of the United States Department of Agriculture and by tax-exempt public purpose bonds of \$18,180,000. The SMA treats the water, retains its share, and the TUA's 15% share is available as needed.

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**10. Pension Plans**

**Defined Contribution Pension Plans**

Eligible city employees participate in the City of Tecumseh defined contribution pension plan in the form of the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF), administered by Bank One of Oklahoma City. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the OMRF to the respective employer entities. All full-time regular employees of the city, other than the city manager, who are not covered by another plan, are eligible to participate in the OMRF and are fully vested after 10 years. Covered employees are required to contribute 4% of their gross payroll which the city pays for them. City contributions are variable and were 8% for the current year. Employee contributions over 4% are optional. The payroll for city employees for the year was \$2,229,309. The payroll for city employees covered by the OMRF for the year was \$1,206,633. Actual city and employee contributions for the year were \$96,531, and \$52,633 respectively, equal to the required contributions for the year.

The city manager participates in the City of Tecumseh defined contribution pension plan in the form of the Oklahoma Municipal Retirement Fund Master Defined Contribution Plan (OMRF CMO), administered by Bank One of Oklahoma City. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in the OMRF CMO to the respective employer entities. The city manager is required to contribute 7.5% of his gross payroll which the city pays for him. City contributions are variable and are currently 10%. City manager contributions over 7.5% are optional. Covered payroll for the city manager for the year was \$99,339. Actual city and city manager contributions for the year were \$9,934 and \$7,450 respectively, equal to the required contributions for the year.

**Defined Benefit Pension Plans**

**Oklahoma Firefighters Pension and Retirement System (OFPRS)**

Plan description. The city contributes to the Oklahoma Firefighters Pension and Retirement System (OFPRS), a state-wide cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The OFPRS is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The OFPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained at [www.ok.gov/fprs](http://www.ok.gov/fprs).

Benefits provided. OFPRS provides retirement, disability, and death benefits to members of the plan. A paid firefighter with 20 years of credited service is entitled to 50% or 2.5% of final average salary. "Final average salary" means the highest 30 consecutive months of the last 60 months of credited service. A paid firefighter with more than 20 years of service will receive an additional 2.5% for each year of credited service not to exceed 30 years or 75%.

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A disability in line of duty pension for a paid firefighter is 50% of the average monthly salary which was paid to the firefighter during the last 30 months of service. For a paid firefighter with over 20 years of service, the pension is the same as a regular service pension.

A disability not in the line of duty pension is 50% of the average monthly salary which was paid to the firefighter during the last 60 months of service if the firefighter has less than 20 years of credited service. Firefighters with over 20 years of service do not qualify.

Volunteer firefighters retiring after 20 years of service receive a pension in the amount retired volunteers are receiving at the time the volunteer begins to receive a pension for each year of credited service not to exceed 30 years. The amount is subject to change each year and shall not be less than what retired volunteers were receiving on July 1, 2008. A copy of the payment schedule is available from OFPRS.

A disability in line of duty pension for volunteer firefighters is paid the same as a 20-year volunteer service pension unless the volunteer has more than 20 years of credited service, in which case the benefit would be the same as a volunteer retiring after 20 years of service.

A firefighter is not entitled to a pension benefit unless the firefighter has completed 10 years of credited service, except for a line of duty disability benefit. A firefighter with 10 or more years of credited service who terminates service with less than 20 years of credited service may apply for a vested benefit. A vested benefit entitles a firefighter to receive a monthly retirement annuity once the firefighter reaches 50 years of age or the date the firefighter would have completed 20 years of uninterrupted employment, whichever is later. A vested benefit for a paid firefighter is 2.5% of the final average salary multiplied by the number of years of credited service. A vested benefit for a volunteer is a flat amount determined by the OFPRS for each year of service.

A \$5,000 lump sum death benefit is payable to a qualified beneficiary upon a firefighter's death, except for those receiving a vested benefit.

**Contributions.** The contribution requirements of the OFPRS are determined by Oklahoma Statutes and are not based on actuarial calculations. Paid firefighters are required to contribute 9% of covered compensation to the Plan while the City is required to contribute 14%. Since the City also has volunteer firefighters, the City is required to contribute \$60 per volunteer per year. Volunteers are not required to contribute. The City's actual contributions to OFPRS for the year ended December 31, 2022 were \$30,846 and employee contributions were \$19,829. Contributions for 18 volunteer firefighters were \$1,080. Covered payroll was \$220,326.

**Oklahoma Police Pension and Retirement System (OPPRS)**

**Plan description.** The city contributes to the Oklahoma Police Pension and Retirement System (OPPRS), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The OPPRS is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 50-103.1 et. seq. The OPPRS issues a publicly

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available financial report that includes financial statements and required supplementary information for the plan and may be obtained at [www.ok.gov/opprs](http://www.ok.gov/opprs).

**Benefits provided.** OPPRS provides retirement, disability, and death benefits to members of the plan. Normal retirement begins at age 50, or after 20 years of service, whichever is later. Benefits are 2.5% of the highest average salary multiplied by the years of credited service. Highest average salary is the highest consecutive 30 months of salary from the last 60 months of employment.

Members are vested after 10 years of service. Member contributions are refundable without interest upon termination prior to normal retirement. Members who have completed 10 years of service may elect a vested benefit in lieu of having their contributions refunded. A vested benefit begins when a member reaches the age of 50, or the date the member would have had 20 years of credited service, whichever is later.

Duty disability does not have a minimum service requirement and is paid at 50%, 75%, or 100% of a normal 20-year retirement benefit based on an impairment rating. Non-duty disability requires a minimum 10 years of service and is paid at 25%, 50%, 75%, 90%, or 100% based on an impairment rating.

Benefits for a duty related death include a \$5,000 death benefit and a normal 20-year retirement benefit. Non-duty related death benefits require a minimum 10 years of service and include a \$5,000 death benefit and accrued retirement benefits. Members with less than 10 years' service will receive a refund of member contributions and a \$5,000 death benefit. The beneficiary of a retired member will receive a \$5,000 death benefit.

**Contributions.** The contribution requirements of the OPPRS are determined by Oklahoma Statutes and are not based on actuarial calculations. Participants are required to contribute 8% of covered compensation to the Plan while the City is required to contribute 13%. The City's actual contributions to OPPRS for the year ended December 31, 2022 were \$57,742 and employee contributions were \$35,534. Covered payroll was \$444,172.

**City of Tecumseh Retiree Only Plan (Plan)**

**Plan description.** The city contributes to the City of Tecumseh Retiree Only Plan, an agent defined benefit pension plan administered by the Oklahoma Municipal Retirement Fund (OkMRF). OkMRF issues a publicly available financial report that includes financial statements and required supplementary information for the Plan and may be obtained at [www.okmrf.org/reports.html](http://www.okmrf.org/reports.html).

**Plan benefits.** The Plan provides retirement benefits to 8 retirees, with a minimum benefit of 60 monthly payments calculated at 2.25% of average monthly compensation multiplied by years of service. No cost-of-living option is provided. Benefits are established or amended by the City Council in accordance with O.S. Title 11, Section 48-101 et seq.

**City of Tecumseh**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2022**

Contributions. The Plan is closed to new entrants and no additional employee contributions are required or allowed. Actuarially determined City contributions for the year were \$0.

**11. Deferred Compensation Plan**

The City provides a deferred compensation plan for its employees in accordance with Section 457 of the Internal Revenue Code that allows any employee to voluntarily defer receipt of up to 33 1/3% of gross compensation, not to exceed \$7,500 per year. Such deferred amount may be distributed to the employee upon retirement or other termination of employment, disability, death, or certain defined instances of financial hardship. All amounts of deferred compensation, property rights, and income attributable to such deferred compensation is the property of the City until paid to the employee or other beneficiary.

**12. Budgets and Budgetary Accounting**

The board of trustees adopts legally required annual operating budgets each year for each fund. The same modified cash basis of accounting used for fund financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. There were 3 general fund amendments during the year; no street and alley fund amendments; and none for the cemetery funds.

**13. Inter-fund Activity**

Inter-fund Transfers	General Fund	Street & Alley Fund	Utility Fund	Cemetery Care	TGDA Fund	Net Transfers
TIF taxes	(134,271)	0	0	0	134,271	0
Sales taxes for debt	(505,723)	0	505,723	0	0	0
Sales taxes for debt	505,723	0	(505,723)	0	0	0
Sewer grant	(579,506)	0	579,506	0	0	0
Capital assets	825,000	(225,000)	(500,000)	(100,000)	0	0
	<u>\$111,223</u>	<u>(\$225,000)</u>	<u>\$79,506</u>	<u>(\$100,000)</u>	<u>\$134,271</u>	<u>\$0</u>

Interfund Receivables and Payables	General Fund	Street & Alley Fund	Utility Fund	TGDA Fund	Net Internal Balances
TIF taxes	(\$4,424)	\$0	\$0	\$4,424	\$0
Capital assets	(62,060)	4,690	57,370	0	0
	<u>(66,484)</u>	<u>4,690</u>	<u>57,370</u>	<u>4,424</u>	<u>0</u>



**City of Tecumseh**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2022**

**14. Subsequent Events**

Management performed an evaluation of the City's activity through March 9, 2023, the date the audit report was available to be released and has concluded that there are no significant subsequent events requiring disclosure through that date.

**15. Prior Period Adjustments**

Sewer treatment plant repairs of \$59,043 which were expensed in 2021 have been capitalized in 2022 due to the nature and extent of the upgrades and repairs.

**THE CITY OF TECUMSEH  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	1,077,000	1,077,000	1,241,353	164,353
Restricted taxes	455,000	455,000	505,723	50,723
Payments in lieu of taxes	108,000	108,000	117,701	9,701
Shared taxes	87,000	87,000	98,475	11,475
Grants	500,000	1,085,035	673,212	(411,823)
Fines and fees	240,000	240,000	175,598	(64,402)
Licenses and permits	50,000	50,000	58,110	8,110
Rents and royalties	15,000	15,000	21,428	6,428
Cemetery fees	65,000	65,000	56,855	(8,145)
Interest	3,000	3,000	4,243	1,243
Other revenues	235,000	235,000	299,194	64,194
<b>TOTAL REVENUES</b>	<b>2,835,000</b>	<b>3,420,035</b>	<b>3,251,892</b>	<b>(168,143)</b>
<b>EXPENDITURES</b>				
General government	512,000	512,000	534,046	(22,046)
Court	104,500	110,750	110,714	36
Police	1,197,251	1,197,251	1,001,681	195,570
Fire	474,000	474,000	451,588	22,412
Code enforcement	280,000	280,000	229,011	50,989
Emergency management	12,500	12,500	8,553	3,947
Streets	335,727	337,227	308,295	28,932
Cemetery	165,709	165,709	159,110	6,599
Park	195,000	195,000	190,151	4,849
Capital outlay	567,000	763,445	676,517	86,928
<b>TOTAL EXPENDITURES</b>	<b>3,843,687</b>	<b>4,047,882</b>	<b>3,669,666</b>	<b>378,216</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(1,008,687)</b>	<b>(627,847)</b>	<b>(417,774)</b>	<b>210,073</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-in (out)	1,765,000	245,494	111,223	134,271
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>1,765,000</b>	<b>245,494</b>	<b>111,223</b>	<b>134,271</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>756,313</b>	<b>(382,353)</b>	<b>(306,551)</b>	<b>75,802</b>
<b>BEGINNING FUND BALANCE</b>	<b>401,400</b>	<b>401,400</b>	<b>734,616</b>	<b>333,216</b>
<b>ENDING FUND BALANCE</b>	<b>\$1,157,713</b>	<b>\$19,047</b>	<b>\$428,065</b>	<b>\$409,018</b>

**THE CITY OF TECUMSEH  
BUDGETARY COMPARISON SCHEDULE  
STREET AND ALLEY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	75,000	75,000	320,985	245,985
Shared taxes	62,000	62,000	56,253	(5,747)
Interest	0	0	5,580	5,580
<b>TOTAL REVENUES</b>	<b>137,000</b>	<b>137,000</b>	<b>382,818</b>	<b>245,818</b>
<b>EXPENDITURES</b>				
Streets	0	0	0	0
<b>TOTAL EXPENDITURES</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>137,000</b>	<b>137,000</b>	<b>382,818</b>	<b>245,818</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers-in (out)	(225,000)	(225,000)	(225,000)	0
<b>NET OTHER FINANCING SOURCES (USES)</b>	<b>(225,000)</b>	<b>(225,000)</b>	<b>(225,000)</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(88,000)</b>	<b>(88,000)</b>	<b>157,818</b>	<b>245,818</b>
<b>BEGINNING FUND BALANCE</b>	<b>182,586</b>	<b>182,586</b>	<b>699,565</b>	<b>516,979</b>
<b>ENDING FUND BALANCE</b>	<b>\$94,586</b>	<b>\$94,586</b>	<b>\$857,383</b>	<b>\$762,797</b>

**THE CITY OF TECUMSEH  
BUDGETARY COMPARISON SCHEDULE  
CEMETERY TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
REVENUES				
Interest	45	45	140	95
TOTAL REVENUES	45	45	140	95
EXPENDITURES				
Cemetery	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0
REVENUES OVER (UNDER) EXPENDITURES	45	45	140	95
BEGINNING FUND BALANCE	32,766	32,766	33,241	475
ENDING FUND BALANCE	<u>\$32,811</u>	<u>\$32,811</u>	<u>\$33,381</u>	<u>\$570</u>

**THE CITY OF TECUMSEH  
BUDGETARY COMPARISON SCHEDULE  
CEMETERY PERPETUAL CARE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
REVENUES				
Monument sales	500	500	170	(330)
Interest	350	350	534	184
TOTAL REVENUES	850	850	704	(146)
EXPENDITURES				
Cemetery	0	0	0	0
TOTAL EXPENDITURES	0	0	0	0
REVENUES OVER (UNDER) EXPENDITURES	850	850	704	(146)
BEGINNING FUND BALANCE	118,296	118,296	120,397	2,101
ENDING FUND BALANCE	<u>\$119,146</u>	<u>\$119,146</u>	<u>\$121,101</u>	<u>\$1,955</u>

**THE CITY OF TECUMSEH  
BUDGETARY COMPARISON SCHEDULE  
CEMETERY CARE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Lot sales and interments	18,500	18,500	18,682	182
Interest	775	775	1,701	926
Other income	0	0	0	0
<b>TOTAL REVENUES</b>	<b>19,275</b>	<b>19,275</b>	<b>20,383</b>	<b>1,108</b>
<b>EXPENDITURES</b>				
Cemetery	15,000	15,000	381	14,619
<b>TOTAL EXPENDITURES</b>	<b>15,000</b>	<b>15,000</b>	<b>381</b>	<b>14,619</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,275</b>	<b>4,275</b>	<b>20,002</b>	<b>15,727</b>
<b>BEGINNING FUND BALANCE</b>	<b>340,032</b>	<b>340,032</b>	<b>380,262</b>	<b>40,230</b>
<b>ENDING FUND BALANCE</b>	<b>\$344,307</b>	<b>\$344,307</b>	<b>\$300,264</b>	<b>(\$44,043)</b>

**CITY OF TECUMSEH  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Modified Cash Basis)**

<b>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>FEDERAL CFDA NUMBER</b>	<b>PASS-THROUGH GRANTOR'S NUMBER</b>	<b>RECEIPTS</b>
U.S. Department of Justice <i>District Attorneys Council</i> Bulletproof Vest Partnership Program	16.607	BVP 224821	2,608
Oklahoma Department of Transportation <i>Oklahoma Highway Safety Office</i> Total U.S. Department of Transportation	20.205	STP-163B(195)UT	5,190
U.S. Department of Homeland Security <i>Oklahoma Department of Emergency Management</i> Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-OK-4575-PW-00138(0)	221
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-OK-4575-PW-00081(0)	4,054
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-OK-4575-PW-00075(0)	4,796
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	PA-06-OK-4575-PW-00023(0)	5,872
Total U.S. Department of Homeland Security			<u>14,943</u>
U.S. Department of the Treasury <i>Oklahoma Municipal League, Inc.</i> Coronavirus State and Local Fiscal Recovery Funds	21.027	None	585,000
<b>TOTAL FEDERAL AWARDS</b>			<u><u>\$607,741</u></u>

**CITY OF TECUMSEH  
SCHEDULE OF STATE AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
(Modified Cash Basis)**

<b>STATE GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</b>	<b>GRANTOR'S NUMBER</b>	<b>RECEIPTS</b>
Oklahoma Department of Commerce <i>Central Oklahoma Economic Development District</i> Community Expansion of Nutrition Assistance (CENA)	2022 CENA #021	2,800
Rural Economic Action Plan	2022 REAP #29	48,000
Total Oklahoma Department of Commerce		<u>50,800</u>
Oklahoma Department of Emergency Management N/A Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR-4222-PW-1090	1,976
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	DR-4222-PW	2,642
		<u>4,618</u>
Oklahoma Department of Agriculture, Food, and Forestry N/A Rural Fire Defense	None	10,053
<b>TOTAL STATE AWARDS</b>		<u><u>\$65,471</u></u>

## **Russell & Williams CPAs, PC**

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### **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Tecumseh, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Tecumseh, Oklahoma, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Tecumseh, Oklahoma's basic financial statements, and have issued our report thereon dated April 27, 2023.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City of Tecumseh, Oklahoma's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Tecumseh, Oklahoma's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Tecumseh, Oklahoma's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Tecumseh, Oklahoma's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gerald & Williams CFPs PC". The signature is written in a cursive, flowing style.

Oklahoma City, Oklahoma  
April 27, 2023